

## Message Text

UNCLASSIFIED

PAGE 01 STATE 266675

43

ORIGIN IO-10

INFO OCT-01 EUR-12 ISO-00 EB-07 AID-05 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 SSO-00 INRE-00

AF-06 ARA-10 EA-09 NEA-10 ABF-01 /114 R

DRAFTED BY IO/CMD DWFIGGINS:GAS

APPROVED BY IO:PDWYMAN

IO/CMD:DNFORMAN

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FM SECSTATE WASHDC

TO AMEMBASSY VIENNA IMMEDIATE

INFO USMISSION USUN NEW YORK

UNCLAS STATE 266675

E.O. 11652: N/A

TAGS: UNIDO, AORG, EAID

SUBJECT: UNIDO INDUSTRIAL DEVELOPMENT FUND

REF: VIENNA 9431

1. THE U.S. CERTAINLY WILL WISH TO EXPRESS VIEWS AT PC-VI ON THE FUNCTIONS AND ADMINISTRATION OF THE IDF AS THEY ARE PROPOSED IN THE EXECUTIVE DIRECTOR'S NOTE TO PC-VI (ID/B/C.3/39) AND THE SYG'S REPORT TO THE 29TH UNGA (A/9792).

2. DEPARTMENT BELIEVES IT IS UNWISE TO INCLUDE IN THE PROPOSED TERMS OF REFERENCE AND RULES FOR THE IDF APPEALS TO GA RESOLUTIONS 3201 (VI) AND 3202 (VI) WHICH ARE KNOWN TO BE HIGHLY OBJECTIONABLE TO SEVERAL COUNTRIES  
UNCLASSIFIED

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PAGE 02 STATE 266675

SINCE THESE TERMS OF REFERENCE AND RULES ARE SUPPOSED

TO BE DESIGNED TO "HARNESS THE CAPABILITIES OF THE INDUSTRIALIZED NATIONS" (A/9792) AND TO "PROVIDE SUFFICIENT FLEXIBILITY TO OBTAIN FURTHER VOLUNTARY CONTRIBUTIONS" (LIMA PLAN OF ACTION, ARTICLE 72). RESOLUTION 3362 (S-VII) EVEN THOUGH IT REPRESENTS MORE COMPLETE CONSENSUS THAN S-VI RESOLUTIONS IS STILL NOT IDEAL PLATFORM TO LAUNCH NEW FUND BECAUSE OF US AND EC-9 RESERVATIONS.

3. DEPARTMENT DOES NOT SEE FROM WHAT SOURCE IDF WILL INCREASE FUNDING ABOVE EXISTING PLEDGES TO UNIDO GENERAL TRUST FUND. IN DEPARTMENT'S VIEW IDF MIGHT EVEN LOSE CONTRIBUTIONS PREVIOUSLY AVAILABLE FROM SPECIAL-PURPOSE TRUST FUNDS UNDER APPARENT PARA 13 PROPOSAL THAT ALL CONTRIBUTIONS BE MADE WITHOUT ANY RESERVATIONS BEING IMPOSED BY THE DONOR. NEVERTHELESS, MISSION MAY EMPHASIZE U.S. WELL-WISHING RATHER THAN CASTING A WET BLANKET.

4. SINCE THE U.S. IS VIRTUALLY CERTAIN TO MAKE NO UNRESTRICTED CONTRIBUTION AND UNLIKELY TO MAKE EVEN A SPECIAL-PURPOSE CONTRIBUTION IN THE NEAR FUTURE, IT MIGHT BE UNBECOMING TO INSIST ON BORROWING FROM GA RESOLUTION 2152 WHEN OTHER PURPOSES, NOT OBJECTIONABLE TO THE USG, MIGHT BETTER ELICIT VOLUNTARY CONTRIBUTIONS FROM OTHER SOURCES.

5. DEPARTMENT DOES SEE THE POSSIBILITY THAT ANY PURPOSES STATED FOR THE IDF AT THIS TIME WOULD BE BORROWED LATER DURING THE NEGOTIATIONS ON THE DRAFT SPECIALIZED AGENCY CONSTITUTION PREAMBLE, ARTICLE 1, AND ARTICLE 2. SINCE THE USG HAS NOT YET PROPOSED LANGUAGE FOR THIS PART OF THE DRAFT CONSTITUTION, THE EMPHASIS AT PRESENT MUST BE ON AVOIDING UNDESIRABLE PURPOSES WITH MISSION EXERCISING ITS JUDGMENT ON THE WORDING OF ACCEPTABLE PURPOSES AND FUNCTIONS.

6. DEPARTMENT APPRECIATES MISSION INSIGHT AND AGREES WITH ANALYSIS AND CONCLUSIONS OF REFTTEL PARA 2(B).

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PAGE 03 STATE 266675

7. DEPARTMENT AGREES WITH REFTTEL PARA 2(C) AND NOTES THAT BY TIME OF PC-VI MISSION MAY BE ABLE TO REFER TO 30TH UNGA FOLLOW-UP ACTION ON U.S. PROPOSAL FOR AN INTERNATIONAL CENTER FOR THE EXCHANGE OF TECHNOLOGICAL INFORMATION INCORPORATED IN SECTION III, RES. 3362 (30TH UNGA POSITION PAPER AND BACKGROUND INFORMATION BEING POUCHED TO UNIDO MISSION).

8. MISSION MAY STATE EFFECTIVENESS OF UNIDO PROGRAMS IS HINDERED BY CONTRIBUTIONS BEING MADE IN INCONVERTIBLE CURRENCIES WHICH DO NOT FIT PROGRAMMED ACTIVITIES. (U.S. CONTRIBUTIONS IN CURRENCIES OTHER THAN U.S. DOLLARS IN OTHER PARTS OF THE UN SYSTEM ARE ALWAYS LIMITED TO THE UN'S ADVANCE NOTICE OF THE NEED FOR SUCH "EXCESS CURRENCIES.") AT PC-VI US DELEGATION MIGHT WISH IF APPROPRIATE OCCASION ARISES TO NEEDLE GROUP D ON THIS POINT.

9. DEPARTMENT AGREES THAT CLARIFICATION OF PARA 13 OF EXECUTIVE DIRECTOR'S NOTE IS REQUIRED. RETENTION OF THE SPECIAL-PURPOSE CATEGORY OF VOLUNTARY CONTRIBUTIONS WOULD SEEM LIKELY TO ELICIT ADDITIONAL VOLUNTARY CONTRIBUTIONS CONSISTENT WITH UNIDO PURPOSES. EVEN THE U.S., WHICH AS YOU KNOW IS GENERALLY OPPOSED TO EARMARKED FUNDS, HAS CONTRIBUTED EARMARKED FUNDS TO UNICEF.

10. DEPARTMENT FIRMLY AGREES WITH POINT IN PARA 3(C) OF REFTEL THAT IDF OVERHEAD COSTS SHOULD NOT BE PAID FROM THE REGULAR UN BUDGET.

11. DEPARTMENT IS NOT SATISFIED WITH PARAS 15-18 OF EXECUTIVE DIRECTOR'S NOTE BECAUSE IN GENERAL WE BELIEVE PRIMARY AUTHORITY OVER ALLOCATION OF PROGRAMS AND FUNDS SHOULD REST WITH INTERGOVERNMENTAL GOVERNING BODIES RATHER THAN SECRETARIATS. FOR EXAMPLE, PARAS 15-18 GIVE CONSIDERABLY GREATER CONTROL TO UNIDO EXECUTIVE DIRECTOR OVER THE SIZE AND LOCATION OF PROJECTS THAN THE UNDP ADMINISTRATOR HAS IN ANALOGOUS SITUATION. IN UNDP THE GOVERNING COUNCIL APPROVES AGGREGATE FIGURES PER COUNTRY IN ADVANCE OF PROJECT

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PAGE 04 STATE 266675

DELIVERY.

12. DEPARTMENT RECOGNIZES THAT LDC'S HAVE LARGEST STAKE IN IDF PROCEDURES BECAUSE THEY WILL DIRECTLY AFFECT SERVICES RECEIVED BY THEM. ALTHOUGH U.S. AND MOST GROUP B COUNTRIES WILL PROBABLY NOT MAKE UNRESTRICTED CONTRIBUTIONS TO IDF, WE DO HAVE FOLLOWING INDIRECT STAKES IN IDF PROCEDURES: A) PREPONDERANT SECRETARIAT CONTROL OVER IDF ALLOCATIONS COULD WELL BE USED AS UNDUE LEVERAGE WITH RECIPIENT COUNTRIES TO AFFECT UNFAVORABLY POLICY DECISIONS IN ALL PARTS OF UNIDO INCLUDING DECISIONS ON PROGRAMS TO WHICH THE US AND GROUP B DO CONTRIBUTE; B) RESULTANT DETERIORATION OF CONFIDENCE IN UNIDO'S VALUE TO INDUSTRIALIZED COUNTRIES COULD REFLECT BADLY ON OTHER PARTS OF UN

SYSTEM IN LEGISLATIVE VIEWS AND PUBLIC OPINIONS;  
C) IDF PRECEDENT OF SECRETARIAT-CONTROLLED ALLOCATIONS,  
IF ADOPTED BY OTHER UN FUNDS, COULD ALSO LEAD TO  
UNFAVORABLE POLICY DECISIONS AND DETERIORATING  
DEVELOPED COUNTRY CONFIDENCE IN OTHER UN FORA. IT IS  
IN THIS CONTEXT, THEREFORE, THAT MISSION SHOULD  
ADVOCATE GREATER CONTROL OVER ALLOCATIONS OF IDF BY  
THE INDUSTRIAL DEVELOPMENT BOARD.

13. DEPARTMENT AGREES WITH REFTEL PARA 3(E) SUGGESTION  
THAT IDF MANAGEMENT AT LEAST KEEP UNDP RESREPS INFORMED  
ON FIELD PROJECTS FINANCED FROM IDF AND PREFERABLY  
TAKE OTHER STEPS TOWARD WHAT U.S. CONSIDERS THE IDEAL  
OF COMPLETE INTEGRATION OF UN COUNTRY PROGRAMS.

14. COMMENT: DEPARTMENT RECOMMENDS THAT MISSION  
EMPHASIZE THAT PRIMARY CRITERION U.S. APPLIES TO FUND  
IS THAT IN ITS DIRECT AND INDIRECT RESULTS IT BE  
EFFECTIVE IN FOSTERING MAXIMUM HEALTHY INDUSTRIAL  
DEVELOPMENT FOR LDC'S. WITHOUT SURRENDERING OBJECTION  
TO USE OF ASSESSED BUDGETS FOR OPERATIONAL ACTIVITIES  
OR RESERVATIONS ON CERTAIN FUNCTIONS SUCH AS  
IMPLEMENTING GA S-VI RESOLUTIONS, ISOLATED OBJECTIONS  
SHOULD NOT OVERSHADOW BASIC U.S. COMMITMENT TO POSITIVE  
OUTPUTS TO THE BENEFIT OF LESS INDUSTRIALIZED COUNTRIES.

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PAGE 05 STATE 266675

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INDUSTRIAL DEVELOPMENT, INTERNATIONAL ORGANIZATIONS, FINANCIAL CONTRIBUTIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 11 NOV 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Disposition History:** n/a  
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**Original Previous Classification:** n/a  
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**Page Count:** 4  
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**Previous Handling Restrictions:** n/a  
**Reference:** 75 VIENNA 9431  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 21 NOV 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <21 NOV 2003 by chicheje>; APPROVED <10 FEB 2004 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** UNIDO INDUSTRIAL DEVELOPMENT FUND  
**TAGS:** AORG, EAID, UNIDO, IDF  
**To:** VIENNA  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006